

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)	
)	
PUBLIC UTILITIES COMMISSION)	DOCKET NO. 2008-0273
)	
Instituting a Proceeding to Investigate)	
the Implementation of Feed-in Tariffs)	
_____)	

**RESPONSES OF CLEAN ENERGY MAUI LLC AND
ZERO EMISSIONS LEASING LLC
TO POST-HEARING INFORMATION REQUESTS
OF PUBLIC UTILITIES COMMISSION**

AND

CERTIFICATE OF SERVICE

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PUBLIC UTILITIES
COMMISSION

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**RESPONSES OF CLEAN ENERGY MAUI LLC AND
ZERO EMISSIONS LEASING LLC
TO POST-HEARING INFORMATION REQUESTS
OF PUBLIC UTILITIES COMMISSION**

CLEAN ENERGY MAUI LLC and ZERO EMISSIONS LEASING LLC ("Zero Emissions") respectfully submit the following responses to the post-hearing Information Requests ("IRs") contained in the letter dated August 3, 2009 of the PUBLIC UTILITIES COMMISSION (the "Commission") in the above-referenced proceeding:

IR-1

During the course of the hearing and in submittals, certain parties described the difficulty of monetizing state tax credits. The Commission asks for a detailed explanation, citing the specific tax statutes of the tax credits that developers cannot often monetize. If the tax credits are useful for some projects, such as residential solar PV installations, but not others, please specify which projects the specific available tax credits are or are not frequently available for and why.

Response:

At the time of the hearing, Hawaii's renewable energy technology income tax credit (the "RETIT Credit"), section 235-12.5 of the Hawaii Revised Statutes ("HRS") was not monetizable by the owner of an eligible PV or wind system who had no Hawaii income tax liabilities against which the RETIT Credit could be used. Since the time of the hearing, Hawaii's legislature enacted Act 154, Session Laws of Hawaii 2009, which

provides that such an owner can monetize the RETIT Credit by electing to obtain a cash "refund" equal to 70% of the RETIT Credit amount.

Because of absolute dollar limits on the amount of RETIT Credit that can be claimed with respect to an eligible PV or wind system, the RETIT Credit is primarily an incentive for the development of small PV or wind systems designed and used for self-generation. A true FiT, in contrast, is an incentive for the development of renewable energy systems of all sizes designed and used primarily for generation of electricity for sale of electricity to the utility and distribution over the grid. To the extent that a small PV or wind system is eligible for both the RETIT Credit and the FiT, the system owner who wants to obtain the FiT should be obliged to waive the RETIT Credit, to minimize the subsidy cost to the public of these potentially overlapping incentives.

IR-2

The Commission is evaluating FiT rates that are non-levelized. Like levelized rates, such rates would provide projects recovery of their costs and a reasonable rate of return. Non-levelized rates would increase over time based on a predetermined discount or inflation rate. Pages 27 through 29 of Haiku Design and Development's opening brief describe and illustrate such an approach.


The Commission requests that the parties provide feedback on whether such rates, if they provide the same level of compensation (when adjusting for the time value of money) would be practicable for developers. In particular, could debt and equity financing structures accommodate rates that provide lower compensation early on and more compensation later, reducing early cash flow? Would doing so increase the overall required FiT compensation?

Response:


Non-levelized rates, that provide the same time-value-of-money-adjusted level of compensation as levelized rates, would be practicable for developers. Debt and equity financing structures could accommodate non-levelized rates that provide lower compensation early on and more compensation later, reducing early cash flow. Reducing early cash flow would increase the overall required FiT compensation by increasing the overall financial risk of the project investment.

* * * *

DATED: Honolulu, Hawaii, August 17, 2009



Erik Kvam
Chief Executive Officer
Zero Emissions Leasing LLC



Chris Mentzel
President
Clean Energy Maui LLC

CERTIFICATE OF SERVICE

I hereby certify that I have this date filed and served the original and eight copies of the foregoing **RESPONSES OF CLEAN ENERGY MAUI LLC AND ZERO EMISSIONS LEASING LLC TO POST-HEARING INFORMATION REQUESTS OF PUBLIC UTILITIES COMMISSION** in Docket No. 2008-0273, by hand delivery to the Commission at the following address:

CARLITO CALIBOSO
PUBLIC UTILITIES COMMISSION
465 S. King Street, Suite 103
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I further certify that copies of the foregoing **RESPONSES OF CLEAN ENERGY MAUI LLC AND ZERO EMISSIONS LEASING LLC TO POST-HEARING INFORMATION REQUESTS OF PUBLIC UTILITIES COMMISSION** have been served upon the following parties and participants by causing copies hereof to be hand delivered, mailed by first class mail or electronically transmitted to each such party as follows:

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